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"Robin Hood" Politics?
Turkey Probing a New Model in the 1990s

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Abstract

Since the 1991 elections which brought a coalition between the centre right and the social democratic party to power, Turkey has shifted to a new economic policy model which attaches more importance to redistribution. It gives more weight to farmers, employees and small firms, partially at the expense of large private firms. This paper deals with the question whether this policy is sustainable considering the constraints of international competition and the political influence of the business community in Turkey. We will argue that there is considerable leeway for choice. Although it is not possible to avoid the pressures from the international economy, the government can decide how to distribute the costs of living with them. A "welfarist policy" policy could be compatible with the imperatives of international competition. However, the opposition of Turkish businessmen, who have a growing political and economic influence through the liberal economic policies of the 1980s, might wreck Çiller's Robin Hood strategy.

In March 1993, an International Labour Organization delegation visited Turkey for the first time ever. The reason was that Turkey had engaged itself to make its trade union and collective bargaining legislation conform with the ILO agreements (n° 87, 98, 151, 154).[1] This is a victory for the Turkish Confederation of Trade-unions and the Social Democratic Party (SHP) who have been pressing for this decision throughout the 1980s. Work slow-downs, massive health-clinic visits, shaved-head and barefoot campaigns have produced their result. The adherence to the ILO agreement is an indication of a more general trend. It is one of the steps marking the end of an economic policy favouring the Turkish holdings.[2] It is one of the measures contributing to the emergence of a "new model."

There are many reasons for arguing that the new policies are likely to remain empty promises or to cause substantial difficulties if implemented. Their compatibility with international competitiveness, the reaction of foreign investors and international creditors and of the holdings in Turkey are likely to be problematic. Therefore, the Turkish government might be heading straight into a seemingly irresolvable dilemma: On the one hand, it has to give priority to the demands of private business whose collaboration is necessary for continued economic growth and exports. On the other hand, it has to give priority to redistribution in favour of farmers, employees and small firms to preserve its legitimacy. It is not the first time Turkey encounters the difficulty of reconciling redistributive demands with the requirements of international competition and private firm development. Judging from past this experience, the prospects seem gloomy. In the late 1950s, 1960s and 1970s similar dilemmas were among the causes of political and economic chaos which eventually led to military interventions (27 May 1961, 12 March 1971, 12 September 1980) and to authoritarian regimes which resolved the dilemma, from above, by limiting distribution.[3]

The contention of this paper is that the dilemma need result neither in political and economic chaos nor in military intervention. We will first show that democratisation made an a more welfarist economic policy difficult to avoid. It proved impossible to undertake it without encroaching the privileges of the holdings. We will then show that this policy is compatible with the international constraints. The imperatives of international competition and the conditionality of international creditors do not exclude welfarist policies. Rather, the international competition is used as a black mail on local policy-making. Finally, the feasibility of the model hinges on the reaction of the business community. A stable economy and continued growth are prerequisites for managing the international imperatives. Consequently, business and the state have to be "partners in production."[4] Moreover, private business' influence over economic policy-making which has grown with the internationalisation of the economy, renders business backing indispensable also politically.

1. The Adoption of a New Model

In Turkey, as in other countries, elections put pressure on politicians to improve the redistributive and social aspects of their economic policies. In the initial phase of transition to democracy the pressure is minor. Moderate right wing governments often play a key role in meditating the transition from military regimes to democracy since they are the only (or most acceptable) interlocutors of the military.[5] However, in Turkey as elsewhere, the restoration of democracy opens the political scene to groups initially excluded and consequently also to group stressing income equality. Thus, a look at Turkey in the late 1980s reveals the difficulty for the right as well as the left to resist distributional demands. Improving the situation of the worst off was a key point on the program of the DYP-SHP[6] coalition in 1991. The coalition intended to soothe the growing dissatisfaction of these groups without hurting the privileges of private business. The idea was to build on the ANAP heritage, but to introduce measures making it more sensitive to distribution. Only when the original plan failed did the government take a clear stand against the holdings. It adopted a new model.

The ANAP heritage

Turgut Özal's economic policies, starting with the 24 January 1980 structural adjustment program,[7] had transformed the import substituting Turkish economy of the 1970s to an outward oriented one. In so doing it had consolidated the privileges of the holdings in the Turkish economy. The way that export promotion, import liberalisation and financial liberalisation had been designed and implemented advantaged large firms. The ANAP handed over an economy where private businessmen, and particularly the large ones, were accustomed to a privileged position which it seemed difficult to challenge.

Large firms were advantaged by the way export promotion had been designed and implemented.[8] Because of the skills and the capital required, large firms dominate exports everywhere. In Turkey, the organization of the export promotion scheme reinforced this domination. Export subsidies were reserved for exports exceeding specified amounts. Moreover, a considerable part of the export incentives went to the Export Capital Companies (*DTŞ* created in July 1980), modeled on the Korean Trading Houses. The DTŞ were to increase exports by making infrastructure and information available to affiliated firms. The central idea was to make exports easier for smaller firms. However, the DTŞ were often formed by large firms who used the special advantages pertaining to the status. To be able to comply with the requirements for the DTŞ status these took over a large share of smaller firms' exports.[9] This practice increased exports by small firms, but also redirected export incentives from small firms to the larger ones.[10] When in 1988 the scheme was reorganized as a result of the numerous abuses and international pressure, and placed under the control of the EXIMBANK, only the DTŞ were permitted to retain the special status and incentive scheme.[11] Finally, the extensive abuse of the export incentives functioned as a subsidy for large firms.[12]

Similarly, the liberalization of the imports was less difficult for the "holdings." The holdings enjoyed the advantage of a more technology intensive production, already established market positions, easy access to credits, and a wider range of activities which made it possible to transfer losses from one firm to others in the same group. Moreover, the size of the holdings made permitted them to fall back on or diversifying into more profitable activities. The liberalization of imports also hit the holding selectively. It was delayed in many sectors apparently because of political pressure of large firms.[13] Finally, the liberalization was less drastic than often thought. A considerable reduction in nominal tariff rates masked constant or raising effective protection. According to one study effective protection rates rose from 80% to 93% in manufacturing between 1983 and 1988 with considerable variations among sub-sectors.[14] Levies for the Extra Budgetary Funds (EBFs) were responsible for this development. The number of goods subjected to such levies increased from 40 to 1400 between 1983 and 1988.[15]

Finally, the holdings benefited from the financial liberalisation. Financial liberalisation, in particular the deregulation of the foreign exchange operations and the creation of the Istanbul stock exchange have opened new fields of financial operations, where large benefits can be drawn.[16] These measures affected above all the large economic groups including banks and individuals with capital to invest. Since it has become easier to establish new banks nationally as well as with foreign partners, large economic groups that did not include banks earlier have now set up their own banks. Of 25 private Turkish banks operating in 1990, 8 had been established after 1980. Of 23 foreign or partly foreign owned banks with branches in Turkey or incorporated there, 19 were established after 1980.[17] The government was generous to holdings facing difficulties as a consequence of the liberalization. This was common because of the high debt to equity ratio in Turkey which makes firms vulnerable to changes in interests and exchange rates. Consequently, the state bailed out many firms, state banks took over private firm debt through a part of the shares. Table 1 gives some illustrations of this practice.

In short, during the ANAP decade "large conglomerates have been happy with—or quiet about—the details of the economic policies in the 1980s [...] industrial firms outside the conglomerates have complained bitterly [...] internal oriented industrial groups have been weary of import liberalization [...] export oriented medium sized firms have campaigned against the privileged status of the exporting houses.[18]"

The Shift to Robin Hood Politics

The DYP-SHP coalition that took power after the October 1991 elections did

Töbank	Ziraat, Halk and Emlak Bank become partners	21.4.1983
TOE (OYAK)	Ziraat Bank took over all the shares of the firm	1984
Gülüm Süt	49% of the shares were taken over by the Ziraat Bank	8.1.1987
Man-Manaş (Ercan Holding)	80% of the shares taken over by various banks	2.10.1989
Narin Holding	68% of the shares were taken over by various banks	13.7.1988
Ak Gübre	incorporated in state oil-firm	9.1.1988
Izdaş	Iş Bankası took over part of the side firms Izmir Demir Çelik (20%), Ağır Çelik (40%)	18.11.1988
Erzincan Gıda	99,8% of shares bought by Et ve Balık Kurumu	3.3.1990
Metaş	Five Banks took over shares and 27 other froze the debt of the firm for 8 years	14.3.1990
Beslen Makarna	TMO bought 41% of the shares	8.4.1991
Vestel	State Banks provided 70 bn. TL credit	7.1.1991
Pınar Et	KOI gave a 30 bn. TL credit	1.1.1991
Paktaş	Taken over by the state	9.6.1991
Asil Çelik (Koç)	Iş Bank took over shares and the firm was given a special status	
Güney Sanayii (Sapmaz)	Sümerbank and Ziraat Bank became partners	

Source: ***Cumhuriyet Hafta*** 5-11.3.1993, based on research by Izak Atiyas and Mustafa Sönmez, ***Kirk Haramiler. Türkiye'de Holdingler*** (Istanbul: Özlem Yayıncılık, 1987), pp. 145-7.

Table 1. Bail-outs through Government Intervention

not mean to challenge the privileges of the holdings. On the contrary, it intended to pursue the main lines of the ANAP economic policy while correcting the worst social inequities of liberalisation. The coalition's strategy to achieve this goal was to increase transfers and to alleviate the tax-pressure on the groups that had been ignored and disadvantaged during the preceding decade.[19] It hoped to raise the required funds by privatizing the State

Economic Enterprises (SEE), reorganizing the Extra Budgetary Fund System, and by making tax collection more effective. However, this strategy turned out to be infeasible and the coalition had to reconsider its policies in a way that infringed on the privileges of the large economic groups.

The first group the coalition promised redistributive measures was the farmers. Agriculture continues to employ some 50% of Turkey's active population. The sector had been largely left out by the ANAP. It had been "forgotten."[20] Real income of farmers had eroded in the course of the 1980s. Between 1980 and 1986 the buying power of the agricultural support prices (support prices/general price index) had declined by 20% and compared to 1977 the decline was of 40%.[21] The situation improved after 1987, mainly for electoral reasons. In the areas where the DYP was challenging ANAP (for instance the tobacco growing Manisa region), subsidized agricultural support prices were increased.[22] ANAP was criticized more for its insufficient efforts to modernize agriculture than for its low support prices. The GAP project (South Anatolian Development Project) which had been aimed at developing irrigation and agro-industries around the dam constructions, was the only sign to the contrary. However, within the GAP, the translation of the investment into local agricultural activities remained the least clear part of the project.[23] Thus, increased availability of credits and encouragement of agro-industries figured on both DYP and SHP projects.

The second group the coalition promised a better treatment was wage-earners, including public employees. According to the State Planning Organization the real wage losses between 1983 and 1987 were 25,7% in the public sector and 14,8% in the private sector. However, Sevket Yılmaz, the leader of Türk Is,[24] estimated that the losses were much higher reaching some 50% in the private sector.[25] Even though real wages ceased to fall after 1987 they remained stagnant until the end of the decade.[26] Moreover, the taxation system had sanctioned wage-earners. Extensive tax evasion by self-employed had made public sector employees the main contributors of direct taxes. Because of tax evasion the government relied heavily on indirect taxes. Indirect taxes constitute over 30% of fiscal receipts and together with other taxes (mainly fund premiums) they make up 45%. The fund premiums exacerbated the impression of wage earners to be disadvantaged. The "encouragement to savings" premium e.g. was resented as a plight for employees with wages that hardly covered current expenses.[27]

However, the plans for improving the situation of these groups without touching the privileges of the larger firms encountered considerable difficulties.

Like their predecessors, the coalition governments found privatization easier to design than to carry out.[28] The SEEs continue to be a burden rather than a source of income. The body that should have supervised the privatization process, the Turkish Autonomisation, Restructuring and Privatization Board (TÖYÖK), has not been able to function because of the resistance of the ministries concerned and the slow parliament vote on the definition of its competencies.[29] Moreover, disagreements on the procedure, notably the use of block sales and sales to foreign buyers, has hampered the process. Consequently, in 1992 only TL 5.000 bn. of the planned TL 7.000 bn. privatization revenue could be collected. At the same time, the SEEs deficit planned to some TL 26.000 bn. reached TL 40.000 bn.[30]

Likewise, the transfer of the resources held by the Extra Budgetary Funds (EBFs) to the government budget has brought less than expected. The funds were originally created for collecting and organizing "extra-budgetary" transfers. This was a way of escaping control. The de-budgetization made it difficult for internal and external observers to perceive the exact nature and size of the flows. However, by the end of the 1980s the funds began to escape the control of the government itself. One of the plans of the DYP-SHP coalition was therefore to regain control over the EBFs and to consolidate their revenues in the budget. Although the revenues have been collected in a common fund account at the Central Bank, giving the Treasury and the Ministry of Finance direct control over their use, they have not been fully consolidated.[31] The Economist Intelligence Unit estimates that there are 171 EBFs with some TL 70.000 bn income. Instead of consolidating all funds, only 77 were integrated into the budget in 1992. This piecemeal approach left out the most important EBFs. Only TL 17.000 bn. of the 70.000 bn. EBF income was made available.

Finally, the attempt to increase government income through amnesties have failed. By conceding generous conditions to persons with unpaid taxes and debts (only a small share of the amounts due had to be paid), the government hoped that the debtors would be encouraged to reimburse their debts and pay their taxes. However, the strategy did not work. Amnesties on debts of farmers to the Ziraat bank, and of the self-employed to the Bağ-Kur (which provides pensions and health-care to the self-employed) brought a mere TL 3.000 bn. instead of the planned TL 15.500 bn.

To compensate for the failure of raising revenues through more effective tax collection, privatization and the transfer of EBFs the coalition has turned to other means. Launching of titles both on the market and directly to the public is one of them. But more importantly, the government has devised a tax reform (passed in March 1993). Since the aim has been reducing inequities the reform aimed partly at making self-employed and corporations contribute more. The political dimension of the law is seen in a provision which will allow the publication of the names of tax evaders. The exemption and deduction possibilities for corporations have been reduced. Moreover, the governments has threatened to discontinue the practice of making tax-amnesties every two years. Finally, the control will be stricter and penalties for evasion more severe. The ministry of finance has received 25.000 supplementary employees to insure the effective implementation of the law.[32]

The government has been pushed to take measures which go against the large cooperations, precisely in a way it initially intended to avoid. Its attempt at continuity has failed. It has adopted a "new model" for the economy where the privileged position of the groups is put into question. The tax-reform came together with other political signals such the legalization of the DISK[33] and the relaxation of the restrictions on trade union activities. Together they have created a situation where the government is increasingly in opposition to the holdings. The "Turkish iron-lady" (Ms. Çiller, prime-minister of the second coalition government) is trying "Robin Hood politics."[34] The question is if this policy is compatible with the imperatives of international competitiveness and if it is politically feasible.

2. International Competition as Domestic Black-Mail

Turkish holdings have complained bitterly against welfarist polices because they impair their competitiveness. They have argued that higher tax-burdens, wages raises and union rights are incompatible with the international constraints on the economy. We will argue that the use of international competitiveness is a largely unjustified black-mail. The three most common assertions are that the new policies are incompatible with Turkey's international imperatives because they: (i) endanger the competitiveness of exports and the related success of an export oriented economic strategy; (ii) make it difficult to attract foreign investors; (iii) are impossible because of the conditionality imposed by international creditors. We will see that these arguments are not persuasive. The success of exports promotion and the capacity to attract foreign investments are determined by a complex set of factors of which low labour costs, tax regulation and union activities are only a small part. Moreover, because of its strategic importance, creditors were exceptionally generous to Turkey during the 1980s and allowed the government great discretion on where to put the costs of adjustment. They are not responsible for the social costs of the policies.

Promoting Exports

The claim that redistribution is incompatible with the international competitiveness of exports is familiar from developed countries where it is used to justify "belt-tightening" policies. However, also "the NICs risk losing their competitive edge because their labour is no longer very cheap when compared with less industrialized countries."[35] In Turkey, the fear that increased wages and taxation of firms will reduce international competitiveness is central in the debate around the new DYP-SHP policy model. Businessmen argue that increased taxation erodes competitiveness directly by increasing costs and indirectly by reducing the margins for investments. They oppose the revision of the legislation on unions on the grounds that increased labour costs will erode their competitiveness (internally and externally). Besides the fact that Turkish unions are painfully aware of the need to restrain labour costs and consequently, unlikely to send them sky-rocketing, we will argue that even if wages and taxation did rise it might not harm the competitiveness of Turkish exports fundamentally.

The cost of labour and the tax-burden are only two of many factors in the international competitiveness of firms. Organization of production, services related to sales and access to markets are at least as important. Firstly, technological progress has made it difficult for labour to compete with machines in most sectors. The increasing capital intensiveness of production is reducing the weight of labour in total costs. It has even been argued that the existence of low technology sectors is a myth with little relation to production realities.[36] Second, it is not enough to make a cheap product, the product has to be marketable in terms of design and quality. Thus, production systems allowing for "quick and flexible response" to changes in demand, are important not only for reducing the costs of stocks but also for avoiding misdirected production. This type of production strategy typically involves the use of multi-function machines and an integrated relation with the market. It relies more on the development of skills than on the maintenance of low wages.[37] Lastly, the product has to reach the market. In the current protectionist environment, this entails political agreements for overcoming protective barriers, or relying on counter-trade and intra-firm trade to overcome duties and quotas.

Cheap labour has not sufficed to sustain comparative advantage in any other than the most labour intensive branches. It does not explain the success of cotton spinning and weaving, the leading sector in the 1960s Korea, Taiwan and other late-industrializing countries.[38]

A look at Turkey's main export sector (textiles[39]) confirms the importance of factors other than labour costs.[40] The factors behind export expansion were not primarily linked to low costs in the sector. Although the semi-informal, sub-contracting market of small work-shops is an important part of textile Turkish production,[41] wages in the sector are high relative to those of other developing countries.[42] Rather political decisions and primarily the competitive devaluations of the Turkish lira[43] and the negotiation of favourable quota agreements providing protection against competition from lower wage countries were essential. Moreover, the transnational technological and organizational developments advantaged Turkey by making the geographical proximity of Turkey to the EC markets a major asset. Turkish firms can participate in delocalized just-in-time productions.[44] The significance of policy making and technology is reflected in the activities of the professional (employers') associations who spend most of their attention and effort on these issues.[45]

In short, labour costs and tax-burden are only part what makes firms competitive internationally. Exchange rates, market access, and technological developments have been argued to be more important. Even in the labour intensive textile sector we have seen that limiting labour costs is only one (and not the most central) preoccupation of the professional employers associations. The argument that wage increases and unionization rights harm international competitiveness could even be turned on its head: wage increases might encourage firms to invest in more efficient equipment, rendering the transition to new production organizations and techniques necessary for long term international competitiveness quicker.

Attracting Foreign Investors

The risk that foreign investors will be discouraged is a second black-mail against the SHP-DYP coalition's welfarist policies. The argument of the Turkish businessmen is that foreign investors, crucial for international competitiveness in an increasingly global economy, will shy a country with high labour costs. However, the attractiveness of a country to foreign investors is not linked to taxation and labour legislation alone or even primarily. Other factors are far more important. This is particularly true in Turkey where the bulk of foreign investment is aiming at the local market and consequently not motivated primarily by a low cost environment.

It is of course impossible to generalize the motives of firms investing abroad, however, wages and taxation regulation play a reduced role.[46] Some foreign investors delocalize production to reduce labour costs. But even in these cases the decision of where to invest is influenced by a host of other factors, including cultural affinity, macro-economic environment, geographical location and political stability.[47] A large part of foreign investment is made in services or to access to markets or raw materials.[48] Labour costs are significant for neither. When the aim is local market shares high wages may even be an advantage since demand will be higher. Lastly, some authors would argue that the significance of labour costs in investments decisions is disappearing with the passage to "systemo-facture," or post-Fordism.

> TNCs are unlikely to utilise developing country production platforms for the world market to the same extent as during the past two decades, since both the new economics and politics of production lead to the optimum location being at the point of the final market.[49]

The limited significance of labour costs in foreign investment decisions is reflected in the way that foreign investments are distributed internationally. The lion share of foreign investments goes to developed economies (75-80%) where labour costs are the highest and taxation the most developed. Moreover, 86% of the foreign investment to developing countries is absorbed by 18 countries, most of whom are NICs with relatively high labour costs.[50]

A cursory look at foreign investments in Turkey confirms that low costs have not been central to the increase in foreign investments since 1980 nor to the activities of investors already in Turkey. The foreign firms established during the import substituting period (mostly in manufacturing) have failed to develop exports. New investors in manufacturing, except in textiles and ready wear, continue to produce for the local market.[51] Moreover, a large share of new foreign investment is concentrated in services (70% of firms and 45% of the capital) which are neither labour intensive and which have among the highest wages in Turkey. Financial services (banking mainly) and tourism attract most of the capital (74% of investments in services) and trade attracts the largest number of firms (60%). Finally, investors who have to limit costs can always establish themselves in the export processing zones where employers are exempted from taxation and social security premiums.[52]

The Turkish experience confirms that of most developing countries wishing to attract foreign investors: tax-regulations, low wages and restrictions on unions are only one ingredient in foreign investors' decisions. Foreign investors are not particularly anxious to restrict unions or keep labour costs low. On the contrary, in many cases foreign firms prefer to work with unions and do not mind high wage levels provided they work for the local protected market.[53] In Turkey foreign firms paid better salaries on average than Turkish firms in the same activities.[54] Therefore the black-mail that low wages and restrictions are necessary to attract foreign investors seems of doubtful validity.

Satisfying International Creditors

A third argument used against the the coalition government's welfarist economic policy intentions is that they are impossible because they are incompatible with the demands of international (private and public) creditors. Since Turkey is heavily dependent on foreign finance, creditors have considerable influence.[55] This decisions implies that the creditors' wishes have to be respected and particularly those of the World Bank and the IMF. The conclusion drawn is that policies of the type the new coalition is trying are excluded. However, we will argue that even following the "Washington consensus," there is room for policy decisions.[56] Cuts in public spending can be done in different ways, taxation of private business is not excluded, and wages can be allowed to rise.

Conditionality sets a frame within which the policies have to fall. International creditors, private banks as well as multilateral institutions, are primarily concerned that debts be serviced. Conditionality is therefore essentially designed to make this possible, that is to insure stable exchange rates and budget equilibria which allow countries to meet their international obligations. In the case of the structural adjustment loans this went together with a more ambitious conception of conditionality which should be used to force the liberalisation of the economy as a whole. However, whether imposed in relation to debt difficulties or in relation to structural adjustment, loans conditionality is a liberal frame for economic policy. It.does not exclude union rights, increased salaries, or more effective taxation. On the contrary, conditionality often imposes reforms aiming at more effective social welfare schemes, usually redirecting them to cover the weakest social groups.[57]

Moreover, the frame set by conditionality is flexible. Neither the World Bank, nor the IMF, nor private bankers advocate support for the private sector at all costs. They would certainly not oppose a government which tried to reduce its budget deficits and inflation by limiting patrimonial practices such as costly subsidizing of private industry which is widespread in Turkey. Nor do international financial institutions force governments to cut social expenditures when they are imposing cuts to limit the budgetary deficits. On the contrary, they usually encourage effective taxation schemes (also directed at private business) as a way of improving "domestic resource mobilisation." Moreover, they would be unlikely to oppose cuts in other parts of the budget than the social one. Military expenditure which have increased with the civil war in the South East and subsidies to public firms for instance seem highly relevant in the Turkish context.

SAL (US$ m)	Key Conditionality
I: March 1980 (275)	*Export promotion* (credits, insurance, de-bureaucratisation, plan reduced protection); Establish criteria for selecting *public investment* priorities; *domestic resource mobilization* (fiscal reform, plan capital market reform); World Bank assistance in *managing debt* data.
II: May 1981 (300)	*Export promotion* (exchange rates, credits, de-bureaucratisation); *Import liberalization* (quota list items placed on licence list); *domestic resource mobilization* (strengthen tax administration, reduced tax on financial transaction, VAT planned); *Public investment* reoriented to infrastructure; *SEE reform* allowing autonomous pricing but no productivity increasing measures.
III: May 1982 (304,8)	*SEE reform*, limits on budgetary transfers and reform decree of May 1983; reduced share of *public investment* in manufacturing SEEs, number of projects reduced; *import liberalisation.*
IV: June 1983 (300,8)	*Import liberalisation* continued; *public investments* further reduced and rationalised; reduction in financial transactions tax to encourage *resource mobilisation.*
V: June 1984 (376)	*Import liberalisation* pursued but increasing use of fund levies; *energy plan* to be implemented with WB ($375 m) sectoral loan; *debt management* improved; *financial sector reform* the creation of the Istanbul Stock Exchange.

Source: Mosley et al., *Aid and Power*, London & New York: Routledge, 1991 p. 20-25.
Table 2. Conditionality on Turkey's Structural Adjustment Loans

If it is true that conditionality leaves government considerable choice in general this is even more true in Turkey which has skilfully used its position as a stable ally of the West in a turbulent and increasingly religious Middle East.[58] Turkey's thus became the case for proving the validity of the "structural adjustment" policies of the World Bank in the early 1980s and its conditionality was accordingly softened. For Turkey,

> Conditionality was predominantly qualitative in character, with 'satisfactory progress' in implementing reform measures in designated areas being used to justify a further extension of lending.....The realization that Turkey was a test case and that the World Bank had a major commitment to the success of the program obviously influenced the Government's perception of the strategic options available.[59]

Moreover, the sequencing, content and evaluation of Turkish conditionality made it easy for Turkey (table 2). Import liberalisation was put last on the list of requirements, while export promotion, de-regulation, the rationalisation of public spending (criteria for defining priority projects and planning) and financial liberalisation were put first. The initial import liberalisation was only the replacement of quotas with licences. The conditionality was loosely enough formulated for Turkish policy-makers to decide on how to implement the measures. Finally, the evaluations of the international institutions were uncommonly generous. 'The Fund felt sufficiently committed to the Turkish experiment to keep extremely quiet in 1983 when it was revealed that the then Turkish finance minister had doctored statistics showing the growth of currency in circulation.'[60]

Turkey's position as a model further increased the government's possiblity to make political choices, since it made new private and multilateral credits available. The inflows of fresh credits made it possible to go through the adjustment process without cutting public spending. Saraçoğlu, former chief of the Central Bank, comments in retrospect

> regardless of how strong the program was, our adjustment efforts would not have been successful without the necessary balance of payments financing. Both the Fund and the Bank provided very sizable assistance to Turkey in support of our program [...] In addition to balance of payments loans from the Fund and the Bank, Turkey received assistance in the form of debt relief and debt rescheduling from the OECD consortium and private creditors.[61]

The soft conditionality and generous loans underscores the responsibility of the government for the decision of how to distribute the costs of the adjustment, i.e. to support the holdings while impairing employees, farmers and self-employed. Conditionality surely biased the choice. It insisted on certain measurers (the privatization program, devaluation, public sector rationalization). Moreover, the structural adjustment program increased the importance of private firms and consequently strengthened the political position of businessmen.

Conditionality contributed to determine and change the politically feasible choices of the government. However, the alternative of pursuing more liberal wage and union policies remained. It is insufficient to put the responsibility (or credit) for the policies pursued on international conditionality.

In short, policies repressing unions and limiting wage increases were not essential either for satisfying international creditors, for preserving the competitiveness of Turkish exports, or for attracting foreign investors. A simple outside-in determinism is not tenable. The Turkish government made policy choices according to its priorities, although as all policy choices, they were made under international and national constraints. It is therefore difficult to accept the reference to the imperatives of international competition as sufficient for rejecting the Turkish coalition government's welfarist economic policies.

3. The Business of Policy-Making

Although the need to export, to attract foreign investors and obtain credits does not preclude redistributive policies directly it does make them conditional on the support of private business. In this section we will show that support from national and international business, and primarily of the large Turkish holdings, is decisive for the future of the welfarist Turkish economic policy. The internationalisation of the economy and the liberal economic policies have placed private business at the centre of policy-making. Private firms are central to the Turkish economy and therefore have to be "partners" in any economic policy. Moreover, they have an extensive and growing influence on policy-making and on the legitimacy of economic policies. Therefore it is difficult to pursue economic policies which go against the large holdings.

The Private Sector as Partners in Production

The degree to which the government can take and carry through economic policy decisions is linked to the collaboration of private business. In a market economy the government needs private firms as much as the private firms need the government. They have to be "partners in production." Even staunch opponents of private profiteering and commercial activities, such as the revolutionary Ayathollas in Iran, remain lenient with businessmen to keep the economy turning.[62] If private businessmen refuse to invest, to produce, to export, to follow the rules and the incentives set up by the government, the economy risks coming to a standstill. The interdependence of the government and the private sector has been reinforced by the liberal economic policies in the 1980s and by the globalization of the economy.[63]

Turkey is no exception in this respect. The private sector has grown in importance with the liberalization in the 1980s. Private firms produce the bulk of goods and services. The public sector is more important than that of the private sector as concerns employment. However, its contribution in terms of value added remains far below that of the private sector. For the service sectors no equivalent figures are available. Private firms dominate in the activities fundamental for the export oriented strategy. They are strong notably in light industries, including consumer goods, where the immediate prospects for increased exports are. And the importance of private banks has increased in the 1980s, as the financial system has been liberalized. Moreover, emerging and expanding service activities, such as advertising, consultancy, auditing, tourism, or foreign trade, are undertaken mainly by private firms.

	Value Added	Employment
Private 5	2,4%	16,5%
Private 405	28,8%	30,9%
Public 95	4,9%	38,6%
500 largest	33,7%	69,5%

Source: ISO, *Türkiye'nin 500 Büyük Sanayii Kuruluşu*, Istanbul: ISO (1990); SIS, *Statistical Yearbook* (1990).

Table 3. Contribution to Manufacturing VA and Employment of the 500 Largest Manufacturing Firms in 1988

The holdings occupy a particular place in the Turkish private sector landscape. As can be seen in table 3, the 500 largest firms are responsible for one third of industrial production and some 70% of employment, a substantial part of which are provided by the large private firms.[64] Average figures on the weight of the private sector do not adequately account for the weight of the holdings in the economy. Any of the main holdings comprises several of Turkey's largest private firms.[65] In many product sub-sectors, the largest firm(s)—usually belonging to holdings—have oligopoly positions.[66]

In short, the success of any economic policy is dependent upon investment-, employment-, and export-decisions made in the private sector. The private sector is particularly important for the current export strategy. The choice of an outward oriented liberal economic policy which places private enterprise at the centre of the stage has made the dependence of economic policies on the private sector more visible.

Private Firms as Policy-Makers

Private business backing for economic policies is even more indispensable in the Turkish context, where businessmen are part and parcel of the policy making process. The weight of business on policy-making has been used to explain the failure of the import substituting policies. The Turkish state became increasingly entangled in the politics of, and overwhelmed with, the demands from the private sector, to the point where it "was deprived of its ability to produce coherent policies."[67] Once the foreign exchange crisis of the late 1970s had eliminated the rents (foreign exchange allocations, favourable interests), the state could no handle its relations with private business. In the 1980s, the liberal economic policies have made this influence even more pronounced.

In Turkey the relations between the state and the private sector are marked by extensive *clientela relations* (clientela is a euphemism for corruption).[68] These relations are based on an elaborate set of loyalties (regional, social, personal and interest based) linking politicians and businessmen. The clientela relations are fuelled by the considerable personal overlap between private firms and the top level of the state administration.[69] The overlap has increased with the liberalization program as personalities from the private sector have become acceptable and even encouraged to take up public employment. Inversely, and more conventionally, firms usually employ insiders from the administration of closest concern (often a retired employee) to advice on administrative matters, they have "their man."[70] The extent to which the links between the private and the public influence policy-making can hardly be overestimated. First, they serve as informal transmission belts of ideas between private and public sphere. Second, the links are used by the government to favour firms in their support and disadvantaging other. Thus, Cavit Çağlar (DYP) came out in the press promising worried businessmen who had supported ANAP that their credits would not be cut.[71] Third, businessmen use their contacts in the administration to favour their points. The bankers e.g. made Çağlar their spokesman for expressing grievances with the government's financial policies.[72] Çağlar's polemic with Ms. Çiller (at the time minister of state responsible for the measures) appeared both as an extension of a broader conflict opposing Çağlar and Ms. Çiller and as one of the causes deepening the dispute.

In addition to their personal influence, businessmen are closely involved in policy-making through their professional associations.[73] New ideas and information often come to the government and to the administration from the private sector professional organizations. One illustration is the initiative of the OSD (Automotive Producers' Association) pushing for the creation of an environmental fund. Its aim is to further the compliance of Turkish automobile producers to international standards. Having an agency informing about and sanctioning the implementation of these standards appeared to be a precondition of the development of exports.[74] In some cases professional associations entirely take over policy-making. The Istanbul Textile Exporters' Union distributes and negotiates textile quotas. Likewise, the Turkish Clothing Manufacturers' Association distributes part of the official funds for encouraging participation in international fairs and events.

The political influence of businessmen on policy making has been intensified by the liberal economic policies. Businessmen's ideas, suggestions, and requests no longer "reach" the government but are requested by it in name of the dialogue with the private sector. This dialogue takes place both through the personal relations linking higher civil servants and politicians with businessmen and through the numerous voluntary and compulsory professional organizations. Therefore, the process of formulating policies and of elaborating them has to be thought of as directly linked to the ideas circulating among businessmen.

Private Firms Confining Legitimacy

In addition to their influence on the process of policy making itself, businessmen are increasingly inclined to, and capable of, questioning the legitimacy of government. In part their increased influence on the legitimacy of economic policies is the reflection the government's vulnerability. However, the wide national and international audience of businessmen is also important. The "international business civilisation with scientists as priests and efficiency as religion" has made it acceptable for business elite to express itself on a wide range of matters.[75] Thus, in Turkey the government-businessmen dialogue has become the main public form of debate over economic policies.

One explanation for the coalition's sensitivity to criticism by businessmen is its general vulnerability. As the change of the distribution of seats in parliament indicates (table 4) the coalition is fragile.[76] As usual the left is most prone to split up. 18 Kurdish deputies have resigned from the SHP in different steps as a consequence of the persistent failure of the government to deal with the situation in the South East in other ways than military. Moreover, the recreation of the "Atatürkist" Republican People's Party (CHP, banned in 1980) drew out 18 deputies more from the SHP. There is, however, more to the coalition's frailty than intricate disputes in leftists groups. The coalition suffers from being based mainly on disagreement with a common enemy (the ANAP) rather than on a common program based on a common understanding of social and economic issues. It has been remarkably slow in designing policies dealing with the issues raised in the electoral campaign (human rights, political liberalisation and income distribution). In this context, private business critique is one additional factor delegitimizing the government.

	Nov. 1987	Oct. 1991	Dec. 1992
DYP - True Path Party	59	179	178
ANAP - Mother Land Party	292	112	95
SHP - Social Democrat Populist Party	99	91	52
RP - Welfare Party (religious)	0	61	40
DSP - Democratic Left Party	0	7	3
MÇP - National Endeavour Party (nationalist)	0	with RP	13
Independent (mainly ANAP elected resign after 30.11.92 convention, and MÇP)	0	0	24
CHP - Peoples Republican Party (recreated in - mainly SHP elected)	-	-	21
HEP - Peoples Labour Party (Kurdish party - SHP elected)	-	-	18

Source: Economist Intelligence Unit, *Country Report*, 1991/4 and 1993/1.

Table 4. Distribution of Seats in Parliament

However, at least as important as the weakness of the coalition is the increasing strength and improved organization of private business and notably their direct communication with the public opinion. The private sector use of the media directly touches the legitimacy of the government. TÜSIAD cunningly cultivates the popular idea that governments are less capable of designing economic policies than the representatives of the private sector.[77] It makes a point of being active in public debates and therefore uses mass-media extensively and has a correspondingly strong impact on public opinion. It e.g. planned a series of television programs with the explicit intention to promote a better understanding of economic problems and the image of the association, "not only as an association of the big business, but as an association which thinks a lot about the interests of the country, which makes research and studies the result of which are communicated to the public opinion."[78] TÜSIAD is not the only representative of the private sector to use public opinion (via media) to pressure contest the government. Rather, a myriad of specialized, regional, an voluntary associations undertake similar activities on a smaller scale all over the country. The recently created the Union of Foundations (*Vakıflar Birliği*) for instance, aims at pressuring the political parties for attention to activities of the private sector and to create a "well informed and sensible public opinion."[79] Also businessmen as individuals, have taken the place of public figures, if not heros. Their memoirs abounding with advice to their fellow citizen, become best-sellers. Photographs of social events involving private sector personalities (charity activities, weddings, and parties) adorn the front pages of the daily press (including papers on the left). Their frequent statements and comments on issues ranging from family morals to foreign policy are also faithfully related and receive as much attention if not more as those of any politician.

The influence of the private sector on policy legitimacy is further amplified by its international audience. The government has to sell its image abroad to satisfy its creditors and attract/maintain foreign investors and the private sector has considerable influence over this image. TÜSIAD and the group it represents have extensive relations with foreign business men and organizations. TÜSIAD is consulted by international organizations and participates in negotiations with foreign creditors. Moreover, private business has extensive international contacts. The TÜSIAD organizes seminars and on numerous publications. Its economic year-book has become one of the reference works on the Turkish economy. Since the "favourable investment / business climate" investors and creditors look for is never entirely objective, private sector opinions regarding the soundness of the government's policies can have considerable influence on the international level independently of economic results.

The businessmen's impact on the legitimacy of economic policies is perhaps best measured by the strong reactions their declarations provoke on behalf of the government. Most statements on the economic policy receive official answers. The tone of the answers evidently varies. However, "divide and rule" is a devise often used as politicians try to stage one part of the private business community against another. For instance, in a message to the press Demirel came out harshly against the TÜSIAD, arguing that an association with so little representativity had no right to criticise. Playing on the rivalry between the TOBB[80] and the TÜSIAD Demirel argued that the more representative TOBB should be the true representative of the private sector.[81] If TÜSIAD wished to participate in politics, Demirel ironically suggested, that it create a political party, a Businessmen's Party.[82]

To sum up, the influence of private businessmen and particularly of the large holdings on policy making in Turkey is significant and has been increasing during the 1980s. The grip of economic liberalism on Turkish and international public has given weight to the opinions of businessmen. Private business can contest the legitimacy of both "faces" of Turkish economic policies: the one aiming at the maintenance of the political coalition and the one aimed at the international community.[83] Businessmen play an important role in policy-making both as individual and as a groups. And they have a central role in the economy which the structural adjustment policies has reinforced.

Conclusion

This paper began with the question of how viable redistributive economic policies are. It has argued both against the claim that international structures make welfarist policies impossible (outside-in dependency) and against the claim that neo-liberal policies are necessary because of international competition (neo-liberal market determinism). We started by showing why the DYP-SHP coalition adopted an economic model where income distribution holds an important place and why this policy made the government impinge on the privileges of the large private firms and allow more space for trade-union activity and possible wage increases. We then argued that this policy does not inevitably lead to an irresolvable dilemma between internal policy priorities and international competitive imperatives. Rather the imperatives of international competition are used to black-mail policy-makers. We finally showed that the real issue is the political agreement around the new model. The business community's support is crucial to this agreement. It has an extensive impact on policy-making which can only be understood transnationally. The structural adjustment programme, the wave of international liberalism and the international audience of the private sector are at the origin of their influence. The role of business means that the Turkish government (unlike its South East Asian counterparts) will not be able to "discipline" the business community to go along with its policies.[84] Consequently, the fate of the new economic model depends on the private sector's collaboration.

In Turkey a *modus vivendi* between the private sector and the government on economic policies is not excluded. The TÜSIAD has made "social reconciliation" a leading theme since the DYP-SHP coalition came to power. Yet, businessmen have so far been conspicuously unwilling to accept reconciliation if it entails that labour is given a stronger voice and social inequities compensated for by redistribution through taxation. This is making "social reconciliation" difficult. Most of the coalition's ambitions in terms of political rights and revisions of the labour regulations have remained on the shelf. Already in October 1993, Türk-İş felt obliged to remind the government of the engagements taken in March, by presenting a rights and freedoms package asking it to implement the law changes to conform with ILO standards.[85] And the Islamic "Welfare Party" came out as the victor of the March 27 1994 local elections after a campaign for a "just order" stressing among other things economic distribution. Both indicate growing disillusion. The government, in turn, has moved away from its promises and intentions. On 5 April 1994 it adopted a stabilisation package which places welfarist policies still further away. The prospects for a social conciliation in Turkey therefore seem uncertain as do the future of the welfarist policies.

Notes

1. *Cumhuriyet Hafta*, 2-8.4.1993. For details on the legislation of strikes and unions see David Simpson & Meyem Koray & Ali Sözer, "Turkey: Collective Bargaining," *European Industrial Relations Review*, 230 (March 1993), or Bülent Tanör, *Türkiye'nin İnsan Hakları Sorunu* (Istanbul: BDS Yaınları, 1991), pp. 142-153.

2. The family owned economic groups that dominate the Turkish economy are usually called. The best overview is Mustafa Sönmez, *Kirk Haramiler. Türkiye'de Holdingler* (Istanbul: Özlem Yayıncılık, 1987).

3. For the bureaucratic authoritarian regime as a way of resolving the contradiction between distribution and international competition see David Collier ed., *The New Authoritarianism in Latin America*, (Princeton, N.J.: Princeton University Press, 1979), particularly David Collier, "The Bureaucratic-Authoritarian Model: Synthesis and Priorities for Future Research," pp. 363-397. Authoritarianism extends beyond formal military rule. Turkish civilian governments have been democraduras (composed of democracia and dicdadura), see Guillermo O'Donnell, "Challenges to Democratization in Brazil," *World Policy Journal*, vol. 5, no. 2 (Spring 1988), pp. 281-300.

4. partnership in production is used by John M. Stopford and Susan Strange with John Henley, *Rival States, Rival Firms. Competition for World Market Shares* (Cambridge et al.: Cambridge University Press, 1991).

5. For the importance of right wing coalitions in transition to democracy from authoritarian regimes, see Nancy Bermeo, "Rethinking Regime Change. Review Article," *Comparative Politics*, 22 (1990), pp. 359-377.
6. The True Path Party of Suleyman Demirel (DYP) and the Social Democrat Party at the time headed by Erdal Inönü (SHP).
7. See OECD, *Turkey. Economic Survey* (Paris: OECD, 1981) or Taner Berksoy, "Türkiye'de İstikrar Arayışları ve IMF," in Cevdet Erdost ed., *IMF İstikrar Politikaları ve Türkiye* (Ankara: Savaş Yayınevi, 1983), pp. 147-174.
8. Ahmet Insel, "Libéralisation Autoritaire. Double Echec en Turquie," *Annales du Levant*, 102 (1987), p. 126, claims that 50% of the export revenue was subsidies and went to some 10 holdings. See further Galip L. Yalman, "State and Private Sector Relations. The Case of Turkey in the 1980s," Paper presented at *the Inaugural Conference of the European Association of Middle East Studies*, Coventry: University of Warwick, (8-11 July 1993) and Dani Rodrik, *Premature Liberalization, Incomplete Stabilization: The Özal Decade in Turkey* (London: Center for Economic Policy Research, 1992).
9. The DTŞ had to export specified amounts of which at least 50% had to be industrial goods. They further had to increase their exports by at least 10% a year.
10. Alican Kavas et al., *Orta ve Küçük İşletmelerde İhracata Yönelik Pazarlama Sorunları ve Çözüm Önerileri* (Ankara: TOBB, 1990).
11. Selim Ilkin, "Exporters: Favored Dependency," in Metin Heper ed., *Strong State and Economic Interest Groups* (Berlin & New York: Walter de Gruyter, 1991), pp. 89-98.
12. Actual proof is still to come. The parliamentary commission on "imaginary exports" proceeds slowly, *Cumhuriyet Hafta*, 26.3 - 1.4. 1993.
13. Managers in the car sector explained the irregular rate of liberalization in the sector by large firms' pressure. For further examples Uğur Mumcu, *Tarikat, Siyaset, Ticaret* (Ankara: Tekin Yayınevi, 1988), pp. 44, 63.
14. OECD, *Turkey. Economic Survey* (Paris: OECD, 1991), p. 86.
15. Commission des Communautés Européennes, *Structure et Evolution de l'Economie Turque* (Bruxelles: CCE, publication II/276/88-FR, 1989), p. 88.
16. Yılmaz Akyüz, "Financial System and Policies in Turkey during the 1980s," in Tosun Aricanli and Dani Rodrik eds., *The Political Economy of Turkey: Debt, Adjustment and Sustainability* (London: Macmillan, 1990), p. 100 ff.
17. Turkish Banks' Association, *Bankalarımız* (Ankara: Bankalar Birliği, 1991).
18. Korkut Boratav, "The Turkish Bourgeoisie and the State during a Major Reorientation of Economic Policies," Paper presented at the conference *Dynamics of State and Societies in the Middle East*. (Cairo: University of Cairo, June 17-19, 1989).
19. The plan of the coalition government was exposed in detail by Çiller before the election. For a summary, Economist Intelligence Unit, *Turkey. Country Report*, 1991/4.
20. Ergüder, "Agriculture: the Forgotten Sector," in Heper, ed., *Strong State*, pp. 71-87.
21. Yakup Kepenek, *12 Eylül'ün Ekonomi Politiği ve Sosyal Demokrasi* (Ankara: Verso Yayınları, 1987), p. 92. Osman Ulagay, *Özal Ekonomisinde Paramiz Pul Olurken. Kim Kazandı Kim Kaybetti* (Ankara: Bilgi Yayınevi, 1987), pp. 249-251.
22. The decline in available income was more important and lasted longer than this suggests. The effects of chronic delays in the Soils Products Office (TMO) payments farmers are left out. Second, changes in relative prices: the rise in the prices of industrial inputs (fertilizers, agricultural machinery) is not well accounted for. In 1989 alone e.g. the

prices of industrial inputs rose by 70%, while the agricultural support prices increased by only 27-29%. *Cumhuriyet*, 15.10.1990.

23. For an overview of GAP related agricultural and industrial development plans John F. Kolars and William A. Mitchell, *The Euphrates River and the Southeast Anatolia Development Project* (Carbondale: Southern Illinois University Press, 1991), pp. 46-74.

24. Turkey's largest moderate (semi-official) trade union which was active during the 1980s when the more left wing trade union DISK was outlawed.

25. Figures in Ümit Cizre Sakallıoğlu, "Labour: The Battered Community," in Heper, ed., *Strong State*, p. 66.

26. OECD, *Turkey. Economic Survey* (Paris: OECD, 1990), p. 30.

27. The premium was first 2% and later 3% of the monthly income of public employees reclaimable on retirement.

28. The plan was to proceed quickly in line with a World Bank proposal dividing the SEEs in two categories. (1) The SEEs deemed unviable were to be closed immediately and (2) the SEEs considered privatizable were to be sold off rapidly. The loss in jobs was to be compensated with social security and early retirement schemes to which the World Bank would contribute US$ 1 bn.

29. *Cumhuriyet Hafta*, 1-7.5.1992.

30. In 1992 the exchange rate of the TL was around 6000 to US$ 1. The estimates regarding the SEE are from The Economist Intelligence Unit, *Turkey, Country Report*, 1993/1 and 1992/4.

31. In 1986, the incomes of the EBFs corresponded to 56% of taxes. See, Oğus Oyan, "Fonlar, İstikrar Programı ve Özelleştirme," *Mülkiyeliler Birliği Dergisi*, 91 (1988), pp. 20-6; and OECD, *Turkey* (Paris: OECD, 1993), pp. 23-24.

32. *Cumhuriyet Hafta*, 5-11.3.1993.

33. The marxist trade-union confederation banned in 1980.

34. *Cumhuriyet Hafta*, 10-16. 9. 1993.

35. Walden Bello & Stephanie Rosenfeld, "Dragons in Distress: The Crisis of the NICs," *World Policy Journal*, vol. VII, no. 3 (Summer 1990), p. 447-8.

36. Lynn Mytelka, "New Modes of Competition in the Textile and Clothing Industry: Some Consequences for Third World Exporters," in Jorge Niosi ed., *Technology and National Competitiveness. Oligopoly, Technological Innovation and International Competition* (London et al.: McGill Queen's University Press, 1988), pp. 225-246.

37. The idea stems from studies of the production techniques in "the Third Italy" and in South East Asia. For its impact on developing countries see Hubert Schmitz, *Flexible Specialization - A New Paradigm of Small-Scale Industrialization?* (Brighton, University of Sussex: Institute of Development Studies, 1989, Discussion Paper 261). Raphael Kaplinsky, *From Mass Production to Flexible Specialization: A Case Study from a Semi-Industrialized Economy* (Brighton, University of Sussex, Institute of Development Studies: Discussion Paper 295, 1991).

38. Alice Amsden, "Third World Industrialization: 'Global Fordism' or a New Model?," *New Left Review*, no. 182 (1990), p. 20.

39. 40% of manufactured exports and 30% of total exports.

40. Wages in Turkey are high compared to other developing countries. The $/hour cost of labour in Turkey is 1,27, 13,17 in Germany; 2,87 in Korea; but 0,37 in Pakistan or 0,65 in India. Economist Intelligence Unit, *Textile Outlook International*, (January 1991), p. 29.

41. Eyüp Ilyasoğlu & Lâle Duruiz, *Turkish Clothing Industry* (Istanbul: Turkish Clothing Manufacturers Association, 1991) and OECD, *Turkey*, (1993), pp. 64-65.
42. The $/hour cost of labour in Turkey is 1,27 compared with 13,17 in Germany; 2,87 in Korea; but 0,37 in Pakistan or 0,65 in India. Economist Intelligence Unit, *Textile Outlook International*, (January 1991), p. 29.
43. It lost 13.500% of nominal value to the dollar between 1979 and 1991.
44. In Turkey as elsewhere, firms using CAD and CAM (Computer Aided Design and Manufacturing) systems stand for a growing part of exports.
45. We think of e.g. the Association of Ready Wear Producers (GSD), the Association of Exporters (ITKIB), and the Association of Turkish Textile Industry Employers (TTSIS). The Association of Exporters (ITKIB) has obtained the right to negotiate the textile quotas with the EC. The government as a matter of principle refuses to do this itself since it argues that the quotas are contrary to association agreement between Turkey and the EC. The associations promote upper range products, the development of design, and international marketing efforts.
46. For overviews of the variety and implication of firm priorities for government policies see, UNCTC, *Government Policies and Foreign Direct Investment* (New York: United Nations, 1989); or Stopford and Strange, *Rival States, Rival Firms*, pp. 24-29.
47. Most observers to conclude that incentives for foreign investors are ineffective at best and costly at worst. By analogy, wage restraint is likely to be ineffective at the most as a means of attracting investors. This is confirmed by empirical estimates of the benefits host-countries draw from foreign investments: Magnus Blomström, *Host Country Benefit of Foreign Investment* (Cambridge, MA.: National Bureau of Economic Research (Working Paper, 3615), 1991); Dennis J. Encarnation & Louis T. Wells, "Evaluating Foreign Investment," in Theodore H. Moran, ed., *Investing in Development: New Roles for Private Capital?* (New Brunswick, N.J.: Transaction Books, 1986), pp. 61-87.
48. UNCTC, *Foreign Direct Investment and Transnational Corporations in Services* (New York: United Nations, 1989).
49. Raphael Kaplinsky, "TNCs in the Third World: Stability or Discontinuity," *Millennium*, vol. 20, no. 2 (1991), p. 265.
50. The *Economist* 27.3.1993, survey, p. 25 and OECD, *International Direct Investment and the New Economic Environment. The Tokyo Round Table* (Paris: OCDE, 1989), p. 39.
51. Information of foreign investments is taken from Yabancı Sermaye Başkanliği, *Yabancı Sermaye Raporu* (Ankara: DPT, 1990).
52. 562 firms (82 foreign) had licenses to operate in the 7 Turkish "Free Zones" *Newspot*, 21.4.1993.
53. Some firms even encourage unionisation and labour participation (Volkswagen in the Czech Republic e.g.). Richard L. Sklar, "Postimperialism: A Class Analysis of Multinational Corporate Expansion," in David G. Becker et al. ed., *Postimperialism: International Capitalism and Development in the Late Twentieth Century* (London: 1987). pp. 19-40.
54. Asim Erdilek, *Direct Foreign Investment in Turkish Manufacturing*, (Universität Kiel, 1982). During the anti-American strikes of the 1960s and 1970s foreign employers were caught between the pressure of their Turkish counterparts who urged them not to give in and the trade-unions who treated foreign and particularly American firms as "inexhaustibly wealthy." George S. Harris, *Troubled Alliance. Turkish-American Problems in Historical*

Perspective, 1945-71 (Washington D.C.: American Enterprise Institute for Public Policy Research, 1972), p. 186.

55. The foreign debt was US$ 65,5 bn. (in March 1994), corresponding to 50% of GNP.

56. The Washington consensus is the agreement surrounding the policies the IMF and the World Bank recommend. Williamson argues that the policy advice constituting this consensus should be accepted and followed by all. We disagree with this argument however, we accept his point that it leaves considerable space for political choice. John Williamson, "Democracy and the 'Washington Consensus'," *World Development*, 21:8 (1993), pp. 1329-1336.

57. See P. Mosley, J. Harrigan, and J. Toye eds., *Aid and Power. The World Bank and Policy Based Lending, vol. I.* (London, New York: Routledge), pp. 56-60; or Ernest Stern, "World Bank Financing and Structural Adjustment," in John Williamson, ed., *IMF Conditionality* (Washington DC: Institute for International Economics, 1983), p. 94. For IMF encouragement of wage restraint see Samuel Lichtensztejn, "IMF-Developing Countries: Conditionality and Strategy," in John Williamson, ed., *IMF Conditionality* (Washington DC: Institute for International Economics, 1983), p. 215 or 220.

58. According to Richards, Egypt's strategic importance was sufficient to keep loans and aid flowing. Alan Richards, "The Political Economy of Dilatory Reform: Egypt in the 1980s," *World Development*, vol. 19, no. 12 (1991), pp. 1721-1730. However, in Turkey this was not enough. Turkey had to show a minimum of good will (by adopting the 24 January 1980 program) to obtain continued credits.

59. Kirkpatrick & Önis, "Turkey," p. 26.

60. David Barchard, *Turkey and the West*, (London: Routledge, 1985), p. 81.

61. Saraçoğlu, p. 128.

62. For an analysis to this effect among others Bertrand Badie, "Iran: Une Révolution Déconcertante," *Etudes* (janvier 1988), pp. 5-14; Mansoor Moaddel, "Class Struggle in Post-Revolutionary Iran," *International Journal of Middle East Studies*, vol. 23 (1991), pp. 317-343; or Bernard Hourcade & Farhad Khosrokhavar, "La Bourgeoisie Iranienne ou le Contrôle de l'Appareil de Spéculation," *Revue Tiers Monde*, vol. XXXI, no. 124 (1990), pp. 877-898.

63. For an overview of the international developments and their impact see, Stopford and Strange, *Rival States, Rival Firms,*Chapter 2.

64. The 'public firms' includes public-private joint ventures where more than 50% of the shares are public. In 1991, one third of the public firms were joint ventures.

65. See e.g. Leroy P. Jones & Il Sakong, *Government, Business, and Entrepreneurship in Economic Development: The Korean Case* (Cambridge, MA.: Harvard University Press, 1980); or Leonard Kasdan, "Family Structure, Migration, and the Entrepreneur," in Peter Kilby, ed., *Entrepreneurship and Economic Development* (New York: Free Press, 1971), pp. 225-240.

66. in none of the 30 major pharmaceutical product group markets e.g., did the largest 4 firms control less than 50% of the sales. Arman Kirim, *The Internationalization of Capital and Industrialization in the Third World: The Case of the Turkish Pharmaceutical Industry.* (Univ. East Anglia. School of Development Studies: PhD, Sept. 1985), p. 204.

67. Henry J. Barkey, *The State and the Industrialization Crisis in Turkey* (Boulder et al.: Westview Press, 1990), p. 149.

68. Heper, "The State and Interest Groups with Special Reference to Turkey," in Heper ed., *Strong State*, p. 15.
69. Mustafa Sönmez, *Kirk Haramiler. Türkiye'de Holdingler*, pp. 152-5 gives an extensive list of the overlapping of personnel between the holdings and the top administration. Mumcu, *Tarikat, Siyaset, Ticaret*, p. 88, gives the example of the numerous ENKA officials who held public office under Özal.
70. In interviews carried out with 50 managers of firms of different size and structure in 4 sectors by the author during the fall of 1991 this was stressed by all the managers.
71. *Cumhuriyet*, 14.11.1991. Çağlar was minister of state.
72. *Cumhuriyet Hafta,* 5-11.3.1993.
73. Contrary to the situation in other countries (Pakistan for instance), Turkish professional associations are not alternatives to personal relations, they area complements. Robert Bianchi, *Interest Groups and Political Development in Turkey* (Princeton: Princeton University Press, 1984). For Pakistan Stanley A. Kochanek, "Politique, Entrepreneurs et Développement au Pakistan et au Bangladesh," *Revue Tiers Monde*, vol. XXXI, no. 124 (1990), pp. 921-938.
74. *Cumhuriyet Hafta,* 5-11.3.1993.
75. Susan Strange, "The Name of the Game," p. 263.
76. Vaner sees the frailty of political parties as a permanent feature of the Turkish political system which lacks a true political pluralism. Semih Vaner, "Etat, Société et Partis Politiques en Turquie depuis 1902," *R.M.E.M.M.M.* 50-4 (1988), p. 105.
77. The Association of Turkish Businessmen and industrialists which represents the interests of the largest holdings in Turkey.
78. *Cumhuriyet Hafta*, 16-22.10.1992.
79. The founders are the leaders of the main private holdings, including Koç, Sabanci, Berker, Tara, and Eczaçibaşı, *Cumhuriyet Hafta*, 30.10-5.11.1992.
80. The Union of Chambers and Stock Exchanges, which is compulsory and consequently has a wide membership base.
81. For the TOBB-TÜSIAD conflict, see Atilla Eralp, "The Politics of Turkish Development Strategies," in Andrew Finkel and Nüket Sirman eds., *Turkish State, Turkish Society* (London: Routledge, 1990), pp. 219-259.
82. Kepenek in *Cumhuriyet Hafta*, 15-21.1.1993. Çiller appears to have continued this strategy by making the Yalım Erez, TOBB president who was forced to resign from the TÜSIAD in early 1993 the man behind the scene in the new government.
83. John Waterbury, "Export-Led Growth and the Center-Right Coalition in Turkey," *Comparative Politics* (January 1992), p. 132.
84. According to Amsden, "developmental differences [the success of the South East Asian NICs as opposed to other countries] among late industrializers are best explained in terms of the discipline imposed on big business, not on labour...." Amsden, "Third World Industrialization," p. 18.
85. *Cumhuriyet Hafta*, 29.10-4.11.1993.

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